

TRANQUILITY LEASING LIMITED

Annual report and financial statements for the year ended 22 August 2018

Member of Lloyds Banking Group

Registered Number: 02677724

COMPANIES HOUSE  
EDINBURGH

01 MAY 2019

FRONT DESK

WEDNESDAY



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01/05/2019  
COMPANIES HOUSE

DIRECTORS

C G Dowsett  
L F C Dorey  
G A Fox

COMPANY SECRETARY

A E Mulholland

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

BANKERS

Bank of Scotland plc  
The Mound  
Edinburgh  
EH1 1YZ

REGISTERED OFFICE

25 Gresham Street  
London  
EC2V 7HN

COUNTRY OF INCORPORATION

England and Wales

REGISTERED COMPANY NUMBER

02677724

## DIRECTORS' REPORT

The directors present their report and audited financial statements of Tranquillity Leasing Limited (the "company") for the year ended 22 August 2018.

The company qualifies as a small company in accordance with Sections 381-382 of the Companies Act 2006 (the "Act") and the directors' report has therefore been prepared taking into consideration the provisions of Part 15 of the Act.

## REVIEW OF BUSINESS

During the year, the principal activity of the company was the management of financial assets and liabilities and this is likely to continue for the foreseeable future.

The results of the company show a loss before taxation of £117,000 (2017: £102,000) for the year as set out in the statement of comprehensive income on page 6.

The company has a net deficit on shareholder's equity of £4,848,000 (2017: £4,751,000).

The company is reliant on funding provided by Lloyds Banking Group plc. The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the company, will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

## DIVIDENDS

The directors did not authorise or pay any dividends during the year (2017: £nil).

## DIRECTORS

The names of the directors of the company who were in office during the year and up to the date of the signing of financial statements are shown on page 1. The following changes in directors occurred during the year:

	Appointed	Resigned/ceased to be a director
A J Kemp	-	28 June 2018
L F C Dorey	28 June 2018	-

No director had any interest in any material contract or arrangement with the company during or at the end of the year.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## DIRECTORS' INDEMNITIES

Lloyds Banking Group plc has granted to the directors of the company, including former directors who resigned during the year, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Act. The deed was in force during the whole of the financial year and at the date of approval of the financial statements (or from the date of appointment in respect of directors who joined the board of the company during the financial year). Directors no longer in office but who served on the board of the company at any time in the financial year had the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of a director's period of office. The deed indemnifies the directors to the maximum extent permitted by law. The deed for existing directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, Lloyds Banking Group (the "Group") has in place appropriate directors' and officers' liability insurance cover which was in place throughout the financial year.

**DIRECTORS' REPORT (CONTINUED)**

**INDEPENDENT AUDITORS' APPOINTMENT**

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

**PRINCIPAL RISKS AND UNCERTAINTIES**

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. For further details please refer to note 10 'Risk management of financial instruments' in these financial statements.

**KEY PERFORMANCE INDICATORS ('KPIs')**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

On behalf of the board



C G Dowsett  
Director

Date: 30 April 2019

## ***Independent auditors' report to the members of Tranquillity Leasing Limited***

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Tranquillity Leasing Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 22 August 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Balance Sheet as at 22 August 2018, Statement of Comprehensive Income for the year ended 22 August 2018, Cash Flow Statement for the year ended 22 August 2018 and Statement of Changes in Shareholder's Equity for the year ended 22 August 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Independence***

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### ***Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 22 August 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Mark Hoskyns-Abraham (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
30<sup>th</sup> April 2019

STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 22 August 2018

	Note	2018 £000	2017 £000
Finance income	2	10	7
Finance costs	3	(117)	(109)
Other operating expenses	4	<u>(10)</u>	<u>-</u>
<b>Loss before taxation</b>	5	(117)	(102)
Taxation credit	6	<u>20</u>	<u>20</u>
<b>Loss after taxation and total comprehensive loss for the year attributable to owners of the parent</b>		<u><u>(97)</u></u>	<u><u>(82)</u></u>

The accompanying notes on pages 10 to 15 are an integral part of the Financial Statements.

TRANQUILLITY LEASING LIMITED

BALANCE SHEET  
As at 22 August 2018

	Note	2018 £000	2017 £000
<b>Assets</b>			
<b>Current assets</b>			
Amounts owed by group companies	7	2,407	2,364
Other debtors		<u>-</u>	<u>1</u>
<b>Total current assets</b>		<u>2,407</u>	<u>2,365</u>
<b>Total assets</b>		<u>2,407</u>	<u>2,365</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts owed to group companies	8	4,941	4,919
Other creditors		<u>2,314</u>	<u>2,197</u>
<b>Total current liabilities</b>		<u>7,255</u>	<u>7,116</u>
<b>Equity</b>			
Share capital	9	-	-
Accumulated losses		<u>(4,848)</u>	<u>(4,751)</u>
<b>Total equity</b>		<u>(4,848)</u>	<u>(4,751)</u>
<b>Total liabilities and equity</b>		<u>2,407</u>	<u>2,365</u>

The financial statements on pages 6 to 15 were approved by the Board of Directors on 30 April 2019 and signed on its behalf by:



**C G Dowsett**  
Director

Registered Number: 02677724

The accompanying notes on pages 10 to 15 are an integral part of the Financial Statements.



## STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Accumulated losses £000	Total equity £000
<b>Balance at 22 August 2016</b>		-	(4,669)	(4,669)
<b>Total comprehensive loss for the year</b>				
Loss for the year		-	(82)	(82)
<b>Balance at 22 August 2017</b>	9	-	(4,751)	(4,751)
<b>Total comprehensive loss for the year</b>				
Loss for the year		-	(97)	(97)
<b>Balance at 22 August 2018</b>	9	-	(4,848)	(4,848)

The accompanying notes on pages 10 to 15 are an integral part of the Financial Statements.

## CASH FLOW STATEMENT

For the year ended 22 August 2018

	Note	2018 £000	2017 £000
<b>Loss before taxation</b>		<u>(117)</u>	<u>(103)</u>
Operating cash flows before movements in working capital		(117)	(103)
Increase in receivables		(1)	-
Increase in payables		<u>117</u>	<u>109</u>
<b>Cash generated by operations</b>		(1)	6
Tax received		<u>42</u>	<u>401</u>
<b>Net cash flow generated by operating activities</b>		<u>41</u>	<u>407</u>
Net movement in cash and cash equivalents		41	407
Cash and cash equivalents at beginning of the year		<u>2,364</u>	<u>1,957</u>
<b>Cash and cash equivalents at end of the year</b>		<u><u>2,405</u></u>	<u><u>2,364</u></u>
Cash and cash equivalents are comprised of:			
Cash at bank	7	83	50
Bank deposits	7	<u>2,322</u>	<u>2,314</u>
		<u><u>2,405</u></u>	<u><u>2,364</u></u>

The accompanying notes on pages 10 to 15 are an integral part of the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, under the historical cost convention.

The financial statements have been prepared in accordance with Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements also comply with the relevant provisions of Part 15 of the Companies Act 2006.

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing financial support provided by Bank of Scotland plc. After making appropriate enquiries, the directors believe that it is appropriate for the financial statements to be prepared on the going concern basis.

#### Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the course of preparing the financial statements, there are no critical judgements nor have any critical accounting estimates been made in the process of applying the company's accounting policies

#### 1(a) Impairment

At each balance sheet date the company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal and/or interest;
- Indications that the borrower or group of borrowers is experiencing significant financial difficulty;
- Restructuring of debt to reduce the burden on the borrower;
- Breach of loan covenants or conditions; and
- Initiation of bankruptcy.

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of the estimated future cash flows discounted at the asset's implicit rate in the lease.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as a credit to the statement of comprehensive income.

#### 1(b) Taxation

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the statement of comprehensive income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the statement of comprehensive income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or another tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

#### 1(c) Dividends

Dividends are recognised in equity only when the company has the obligation to pay the ordinary shareholder.

#### 1(d) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and amounts due from banks with original maturities of less than three months.

## NOTES TO THE FINANCIAL STATEMENTS

**1 Accounting policies (continued)****1(e) Foreign currency translation**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in pounds sterling, which is the company's functional and presentation currency.

**2 Finance income**

	2018 £000	2017 £000
Interest receivable on bank deposit from other group companies	<u>10</u>	<u>7</u>
	<u>10</u>	<u>7</u>

**3 Finance costs**

	2018 £000	2017 £000
Interest payable on overdue tax	<u>117</u>	<u>109</u>
	<u>117</u>	<u>109</u>

**4 Other operating expenses**

	2018 £000	2017 £000
Professional fees	9	-
Other operating expenses	<u>1</u>	<u>-</u>
	<u>10</u>	<u>-</u>

**5 Loss before taxation**

Audit fees for the company are borne by the ultimate parent company.

The company has no employees (2017: nil).

The directors, who are considered to be key management, received no remuneration in respect of their services to the company. The emoluments of the directors are paid by a fellow group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the company. The directors are also directors of a number of other subsidiaries of the Group and are also substantially engaged in managing their respective business areas within the Group. Given this, it is not possible to make an accurate apportionment of directors' emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the directors.

**6 Taxation credit**

	2018 £000	2017 £000
The taxation credit for the year comprises:		
Current tax receivable on loss for the year	<u>20</u>	<u>20</u>
Total taxation credit for the year	<u>20</u>	<u>20</u>

Where taxation on the company's loss for the year differs from the taxation charge that would arise using the standard rate of corporation tax of 19.00% (2017: 19.61%), the differences are explained below:

	2018 £000	2017 £000
Loss before taxation	<u>(117)</u>	<u>(102)</u>
Tax at standard rate of corporation tax	22	20
Tax losses where no deferred tax recognised	<u>(2)</u>	<u>-</u>
Total taxation credit	<u>20</u>	<u>20</u>

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

## NOTES TO THE FINANCIAL STATEMENTS

**7 Amounts owed by group companies**

	2018 £000	2017 £000
Cash at bank	83	50
Bank deposits	2,322	2,314
Interest receivable	<u>2</u>	<u>-</u>
	<u>2,407</u>	<u>2,364</u>

For further details please refer to note 11.

**8 Amounts owed to group companies**

	2018 £000	2017 £000
Amounts due to immediate parent undertaking	620	620
Tax payable	<u>4,321</u>	<u>4,299</u>
	<u>4,941</u>	<u>4,919</u>

For further details please refer to note 11.

**9 Share capital**

	2018 £	2017 £
Allotted, issued and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholder through pricing products and services commensurately with the level of risk and, indirectly, to support the group's regulatory capital requirements.

The company's parent manages the company's capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company's parent may adjust the amount of dividends to be paid to the shareholder, return capital to the shareholder, issue new shares, or enter into debt financing.

The company's capital comprises all components of equity, movements in which appear in the statement of changes in shareholder's equity.

**10 Risk management of financial instruments**

The primary financial risks affecting the company are: credit risk, liquidity risk and market risk (which include interest rate risk and foreign currency risk). Information on the management of these financial risks and further disclosures is given below.

In accordance with IAS 39 "Financial instruments: Recognition and measurement", all financial assets are designated as held at amortised cost. The accounting policies in note 1 describe how different classes of financial instruments are measured, and how income and expenses are recognised.

**Credit risk management:**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum credit risk exposure of the company in the event of other parties failing to perform their obligations is detailed below. The maximum exposure to loss is considered to be the balance sheet carrying amount as at 22 August.

	2018 £000	2017 £000
Financial assets which are neither past due nor impaired for credit risk:		
Amounts owed by group companies	2,407	2,364
Other debtors	<u>-</u>	<u>1</u>
Total credit risk exposure	<u>2,407</u>	<u>2,365</u>

## NOTES TO THE FINANCIAL STATEMENTS

**10 Risk management of financial instruments (continued)****Credit risk management (continued):**

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc. Each exposure or loan is assessed for credit risk prior to approval and assigned a credit rating based on the credit risk rating methodology and management policy of the Lloyds Banking Group plc. The company has no credit risk to a third party, all assets are recoverable from the company's ultimate parent, Lloyds Banking Group plc being an A (2017: A) credit rated financial institution.

At the balance sheet date the company assesses if there is objective evidence that the financial assets have become impaired. Evidence of impairment may include indications that the counterparty is experiencing financial difficulty, default or delinquency in settlements of amounts due or debt restructurings to reduce the financial burden on the counterparty.

At 22 August 2018 and 2017 there were no impairments relating to credit risk against any financial assets. The credit risk exposure under short-term debtors, deposits and other financial assets are represented by the book values in the above table.

**Liquidity risk management:**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The liquidity profile of financial liabilities at year end was as follows:

At 22 August 2018	Other liabilities £000	Total Liabilities £000
On demand	7,255	7,255
Up to 1 month	-	-
1-3 months	-	-
3-12 months	-	-
1-5 years	-	-
Over 5 years	-	-
<b>Total</b>	<b>7,255</b>	<b>7,255</b>
At 22 August 2017	Other liabilities £000	Total Liabilities £000
On demand	7,116	7,116
Up to 1 month	-	-
1-3 months	-	-
3-12 months	-	-
1-5 years	-	-
Over 5 years	-	-
<b>Total</b>	<b>7,116</b>	<b>7,116</b>

The fair value of current liabilities approximates their carrying values.

**Interest rate risk management:**

Interest rate risk is the risk that the future cash flows and fair values of a financial instrument may fluctuate because of changes in market interest rates.

Based on the balance sheet carrying values a +/- 25 basis point change in interest rates will increase/reduce finance income by £11,000 (2017: £6,000) and finance costs by £nil (2017: £nil).

**Foreign currency risk:**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company's transactions are all denominated in pounds sterling as such the company has no exposure to foreign currency risk.

**11 Related parties**

The company's immediate parent company is Bank of Scotland Structured Asset Finance Limited. The company regarded by the directors as the ultimate parent company and ultimate controlling party is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member. Bank of Scotland plc is the parent company of the smallest such group of undertakings. Copies of the group financial statements may be downloaded via [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).

The company's related parties include other companies in the Lloyds Banking Group and the company's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, which is determined to be the company's directors, who are listed on page 1 of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**11 Related parties (continued)**

In respect of related party transactions, the outstanding balances receivable/(payable) at 22 August were as follows:

Nature of transaction	Related party	Related party relationship	2018 £000	2017 £000	Terms and conditions Repayment	Interest
Cash at bank	Bank of Scotland plc	Intermediate parent company	83	50	No fixed date	0%
Bank deposits	Bank of Scotland plc	Intermediate parent company	2,322	2,314	15/10/2018	0.65%
Interest receivable	Bank of Scotland plc	Intermediate parent company	2	-	15/10/2018	0%
Tax payable	Bank of Scotland plc	Intermediate parent company	(4,321)	(4,299)	No fixed date	0%
Amounts due to group companies	Bank of Scotland Structured Asset Finance Limited	Immediate parent undertaking	(620)	(620)	No fixed date	0%

The registered offices of related parties are noted below:

<u>Related party</u>	<u>Registered address</u>
Bank of Scotland Structured Asset Finance Limited	25 Gresham Street, London, EC2V 7HN
Bank of Scotland plc	The Mound, Edinburgh, EH1 1YZ

There were no doubtful debts or bad debt expenses relating to the above balances incurred during the year.

The company earned interest on bank deposits of £10,000 (2017: £6,000) on which rates of interest of between 0.19% and 0.69% (2017: rates of interest between 0.19% and 0.43%) were received.

The company received tax of £42,000 (2017: £401,000) during the year from fellow subsidiary undertakings.

**12 Adopted accounting standards**

There were no new accounting standards adopted by the company during the year.

**13 Future developments**

The following accounting standard changes will impact the company in the future financial years. Save as disclosed below, the initial view is that none of these pronouncements are expected to cause any material adjustments to reported numbers in the Financial Statements.

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
IFRS 9; 'Financial Instruments'	<p>IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1 January 2018. The company has chosen 1 January 2018 as its initial application date of IFRS 9 and will not restate comparative periods.</p> <p><i>Classification and measurement</i></p> <p>IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income or amortised cost. Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.</p> <p><i>Impairment</i></p> <p>IFRS 9 replaces the existing 'incurred loss' impairment approach with an expected credit loss ('ECL') model resulting in earlier recognition of credit losses compared with IAS 39. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39.</p> <p>The impact of this pronouncement has been assessed by the Company with the view that the financial statements will not be materially impacted.</p>	Annual periods beginning on or after 1 January 2018

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**13 Future developments (continued)**

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
IFRS16; 'Leases'	<p>The IASB has issued IFRS 16 to replace IAS 17 Leases which is effective for annual periods beginning on or after 1 January 2019. IFRS 16 requires lessees to recognise a right of use asset and a liability for future payments arising from a lease contract. This change will mainly impact the properties that the Group currently accounts for as operating leases. Lessor accounting requirements remain aligned to the current approach under IAS 17.</p> <p>The impact of this pronouncement has been assessed by the Company with the view that the financial statements will not be materially impacted.</p>	Annual periods beginning on or after 1 January 2019

**14 Contingent liabilities**

The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where HMRC adopt a different interpretation and application of tax law which might lead to additional tax. The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies the claim; if HMRC's position is found to be correct management estimate that this would result in an increase in current tax liabilities for the company of approximately £999,000 (including interest). The Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.